

AUDITED FINANCIAL STATEMENTS

LOUTIT DISTRICT LIBRARY

June 30, 2008

Auditing Procedures Report

Reset Form

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Issued under Public Act 2 of 1968, as amended

Unit Name Loutit District Library	County Ottawa	Type District Library	MuniCode 70-8-001
Opinion Date October 6, 2008	Audit Submitted October 10, 2008	Fiscal Year June 30, 2008	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/> 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> 5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> 6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> 12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> 18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	2,125,179
General Fund Expenditure:	2,685,930
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	760,011
Governmental Activities Long-Term Debt (see instructions):	8,390,907

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations)

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CALVIN D. MEEUSEN, C.P.A., PLLC

**CALVIN D. MEEUSEN
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INDEPENDENT AUDITOR'S REPORT

Loutit District Library
Grand Haven, Michigan

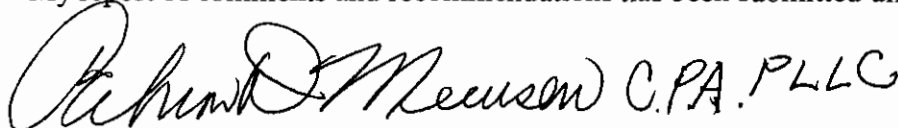
I have audited the financial statements of the governmental activities of the Loutit District Library, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Loutit District Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements listed in the table of contents present fairly in all material respects, the financial position of the governmental activities of the Loutit District Library at June 30, 2008, and the results of the operations of such activities for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My report of comments and recommendations has been submitted under date of October 6, 2008.

 C.P.A. PLLC

October 6, 2008

Loutit District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Using this Management's Discussion and Analysis

This annual report is intended to supplement the District Library's financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District Library and present a longer-term view of the District Library's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how library services were financed in the short-term, as well as what remains for future spending.

The District Library as a Whole

The District Library's total net assets are \$6,820,767 as of June 30, 2008. Donor restricted net assets represent pledges and other receivables associated with the building project capital campaign and are recorded in the Capital Projects Fund. Restricted net assets are amounts set aside for the current building project and recorded in the Construction Fund, and amounts set aside for debt service in the Debt Service Fund B. Unrestricted net assets can be used to finance day to day operations, they comprise 10% of the Total Net Assets and about 45% of the current year General Fund operating expenditures. The balance of Total Net Assets is Capital Assets Net of Related Debt. This amount is a negative number as of June 30, 2008 because the debt incurred by the District Library for the current building project exceeds the value of the building project completed as of June 30, 2008 and the value of the District Library's other capital assets. As the current building project is completed in the 2008-2009 fiscal year, Restricted Net Assets will decline and Capital Assets net of Related Debt will increase and again become a positive number.

Table 1
Loutit District Library Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current Assets	\$10,791,926	\$ 3,667,165
Noncurrent Assets	-	-
Capital Assets net of accumulated depreciation	<u>5,008,027</u>	<u>4,185,404</u>
Total Assets	15,799,953	7,852,569
Current Liabilities	588,279	121,127
Long-Term Debt Outstanding	<u>8,390,907</u>	<u>541,018</u>
Total Liabilities	8,979,186	662,145
Net Assets		
Invested in Capital Assets (Net of Related Debt)	(3,315,488)	3,698,595
Donor Restricted	606,573	1,315,915
Restricted	8,837,063	910,062
Unrestricted	<u>692,619</u>	<u>1,265,852</u>
Total Net Assets	<u>\$6,820,767</u>	<u>\$7,190,424</u>

Loutit District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The District Library's net assets continue to remain healthy. The District Library anticipates having enough cash to fund normal operating expenses for the next twelve months.

Governmental Activities

The District Library's total revenues in the General Fund were \$2,125,179, an increase of \$54,374 or 2.6% over the prior year. Property tax revenue from the district library millage, which contributes 87% of the total revenue, increased by 6% over last year. Penal fine income decreased by 1% from the prior year.

General Fund expenditures increase this year was largely due to transfers from the Fund Balance to the Construction and Debt Service B Funds. The Library drew funds from the fund balance to cover the one-time transfer to the Construction Fund.

Capital Projects Fund expenditures reflected the transfer to the Construction Fund of \$2,128,948 of accumulated savings and donations to the building project Capital Campaign. This fund remains to track the payment of remaining pledges to the building project Capital Campaign.

Construction Fund expenditures of \$2,227,185 covered building project costs including architect fees, legal fees, bond issuance costs, temporary location costs, and the first three months of actual construction costs.

Debt Service Fund A - Robbins Road expenditures reflected the sixth annual payment on the ten-year note.

Debt Service Fund B - Columbus Avenue Fund was added to account for property taxes and transfers from the General Fund to make payments on the bonds issued to finance part of the current building project..

Table 2
Loutit District Library Changes in Net Assets
Governmental Activities

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<u>Revenues</u>		
General		
Property taxes	\$2,033,725	\$1,746,033
Fines and forfeits	167,875	169,137
Contributions	89,517	1,407,184
Investment earnings	442,500	133,560
Miscellaneous	<u>70,246</u>	<u>27,546</u>
Total	2,803,863	3,483,460
<u>Expenses</u>		
Wages and benefits	993,933	951,429
Books and magazines (Note I)	39,911	44,792
Supplies	75,291	33,097
Lakeland Library Cooperative	42,347	39,326
Building and grounds	129,557	183,909

Loutit District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Expenses-continued

Professional fees	11,307	24,408
Depreciation	177,041	253,586
Relocation	217,982	-
Bond issuance costs	88,164	-
Write down - fixed assets	1,005,238	-
Interest	271,401	27,921
Transfers to other libraries	45,119	41,221
Other	<u>76,229</u>	<u>119,226</u>
Total	<u>3,173,520</u>	<u>1,718,915</u>
 Increase (Decrease) in Net Assets	 (369,657)	 1,764,545
 Net Assets at July 1	 <u>7,190,424</u>	 <u>5,425,879</u>
 Net Assets at June 30	 <u>\$6,820,767</u>	 <u>\$7,190,424</u>

The District Library's Funds

Budget comparison schedules for the District Library's funds are on pages 23 through 27, following the notes to the financial statements. The District Library creates funds as needed to manage its revenues for specific purposes as well as to account for certain activities.

The General Fund receives the District Library's general revenues and pays the general operating expenditures. There is also a Capital Projects Fund which tracks contributions to the building project Capital Campaign. The Construction Fund records costs of the current building project. The Debt Service Funds records the activities concerning the payment of general obligation debt principal and interest.

Fund Budgetary Highlights

Over the course of the year, the District Library Board amended the fund budgets to take into account events during the year. Revenue amendments to the General Fund primarily reflected full payment of state aid and decrease in interest earned. The major expenditure amendments to the General Fund reflected expenses related to operating costs in the temporary facility, RFID tagging of the collection to prepare for the move to the renovated building and transfer of funds to the Debt Service Fund B - Columbus Avenue debt service payments.

Overall, General Fund expenditures stayed below budget. The General Funds' fund balance decreased by \$560,751 to \$760,011 at June 30, 2008.

Amendments to the Construction Fund reflected actual expenditures during the fiscal year. These occurred based on the progress of the project through June 30, 2008.

Loutit District Library
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Fund Budgetary Highlights-Continued

Amendments to Debt Service Fund B - Columbus Avenue reflected the initial collection of debt service property taxes and the initial bond interest payment.

Capital Assets and Debt Retirement

At June 30, 2008 the District Library had \$6,706,404, before depreciation of \$1,698,377, invested in a broad range of capital assets - land, building, books and other collections and furniture and equipment. Major changes in capital asset categories reflected the building project construction in Building (in progress) and the demolition of a significant part of the existing building in the Building and Building improvements categories.

We continued to pay down our general obligation debt for the land purchase according to schedule. We also made our initial debt service payments on our general obligation debt for the current building project according to schedule.

Economic Factors and Next Year's Budgets

The District Library's General Fund budget for the next fiscal year projects property taxes, which is the largest source of revenue, to increase. State aid and penal fines should remain steady. The continued decrease in interest rates will decrease interest revenue. Personnel costs, which remain the largest expenditure, should remain fairly constant with no additional positions or hours anticipated and with an increase in the percentage of health insurance premiums paid by employees.

The Construction Fund budget for the next fiscal year anticipates the completion of the current project for the renovation and expansion of the library building at 407 Columbus Avenue in Grand Haven. The project remains on schedule with construction to be completed by early May 2009. Subsequent to construction, furniture, equipment and technology will be installed. We anticipate the library will re-open at the 407 Columbus Avenue location by mid-summer 2009.

Contacting the District Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and other interested parties with a general overview of the Library's finances and to show the District Library's accountability for the revenue it receives. If you have questions about this report or need additional information, we welcome you to contact Sandie Knes, Library Director, at (616) 842-5560, extension 212.

Loutit District Library
Governmental Funds Balance Sheet/Statement of Net Assets
June 30, 2008

	Modified Accrual Basis				Full Accrual Basis
	General Fund	Capital Projects Fund	Construction Fund	Debt Service Fund B	Statement of Net Assets
Assets					
Cash and cash equivalents	\$ 865,751	\$ 88,458	\$ 5,676,833	\$ 96,802	\$ 6,727,844
Investments (Notes A7, B)	-	-	3,487,151	-	3,487,151
Accounts receivable	11,966	-	-	-	11,966
Pledges receivable (net) (Note J)	-	517,686	-	-	517,686
Unamortized bond discount	-	-	-	-	47,279
Capital assets (net) (Note C)	-	-	-	-	5,008,027
Total Assets	\$ 877,717	\$ 606,144	\$ 9,163,984	\$ 96,802	\$15,799,953
Liabilities					
Accounts payable	\$ 38,777	\$ -	\$ 471,002	\$ -	\$ 509,779
Internal balances	429	(429)	-	-	-
Accrued liabilities	78,500	-	-	-	78,500
Deferred revenue	-	517,686	-	-	(517,686)
Long-term liabilities					
Note payable-due within one year (Note E)	-	-	-	-	92,612
Note payable-due after one year (Note E)	-	-	-	-	305,903
Bonds payable-due within one year (Note E)	-	-	-	-	235,000
Bonds payable-due after one year (Note E)	-	-	-	-	7,690,000
Accumulated employee benefits (Note A8)	-	-	-	-	67,392
Total Liabilities	\$ 117,706	\$ 517,257	\$ 471,002	\$ -	\$7,873,221
Fund Balance/Net Assets					
Fund Balances-Restricted					
Capital Improvements	-	88,887	-	-	(88,887)
Construction	-	-	8,692,982	-	(8,692,982)
Debt service	-	-	-	96,802	(96,802)
Fund Balances-Unreserved					
Unrestricted	760,011	-	-	-	(760,011)
Total Fund Equities	760,011	88,887	8,692,982	96,802	(9,638,682)
Total Liabilities and Fund Balance	\$ 877,717	\$ 606,144	\$9,163,984	\$ 96,802	
Net Assets					
Invested in capital assets-net of related debt					(3,315,488)
Donor restricted					606,573
Restricted					8,837,063
Unrestricted					692,619
Total Net Assets					6,820,767

The accompanying notes are an integral part of this statement.

Loutit District Library

Fund balances - June 30	\$ 760,011	\$ 88,887	\$ 8,692,982	\$ -	\$ 96,802
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The accompanying notes are an integral part of this statement.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Loutit District Library (District Library) was established on February 24, 1999, pursuant to Act No. 24 of the Public Acts of 1989 by the participating municipalities of Grand Haven Charter Township, City of Grand Haven, City of Ferrysburg, Robinson Township, and Grand Haven Area Public Schools. The District Library provides library services to the general public.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Loutit District Library.

The Statement of Activities demonstrates the degree to which the direct expenses of providing library services are offset by the revenues designated to fund those services. All of the revenues of the General Fund of the District Library are intended to pay for those direct expenses, except as designated by the Library Board.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Collections from the 2007 Summer and Winter property taxes are considered to be revenues of the year ended June 30, 2008. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Pledged contributions are recognized as revenue in the current period.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period

Loutit District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation-Cont.

are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period, when applicable. All other revenue items are considered to be available only when cash is received by the District Library.

The various funds are presented in these financial statements as follows:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the district library.

Capital Projects Fund - This fund is used to track contributions to the capital campaign.

Construction Fund - This fund records costs of the building project incurred after the successful bond vote on May 8, 2007.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the Statement of Net Assets column in the government-wide financial statements. Capital assets are defined by the District Library as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	50 years
Collections	3 - 20 years
Equipment	5 - 7 years
Furniture and Fixtures	10 years

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

The District Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about June 1, the District Library submits to the general public a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution.
- d. The District Library director is authorized to transfer budgeted amounts within funds within any activities, except for certain activities which require Library Board authorization.
- e. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for all funds lapse at the end of the fiscal year.
- g. The budget has been adopted on a total fund basis.

Budgeted amounts are as originally adopted and as amended by the District Library Board as of June 30, 2008.

6. Property Taxes

Property taxes when levied attach as an enforceable lien on property. Summer taxes are levied on July 1 and are payable through September 14. Winter taxes are levied on December 1 and are payable through February 14. The property taxes are billed and collected by various municipalities, which then remit the District Library's designated portion on a semi-monthly basis. The District Library levied a tax of .9788 mills for operating purposes and .1000 mills for debt service in the participating municipalities.

7. Investments

Michigan Compiled Laws, Section 129.91, authorizes the District Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

7. Investments - Continued

highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund.

The District Library has adopted a more restrictive investment policy. Their investment policy allows investments in the following:

- a. Bonds, securities and other obligations of the United States or an agency of the United States in which the principal and interest is guaranteed by the United States.
- b. Certificates of deposit, savings accounts or depository of an approved financial institution.
- c. Investment pools, generally

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The District Library has surplus funds invested with Fifth Third Securities.

8. Compensated Absences

District Library employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation pay and sick leave may accumulate and be carried over to a subsequent year, subject to restrictions. Management estimates that its current liability for unpaid vacation pay, sick leave and personal time is \$55,585 at June 30, 2008.

The noncurrent portion of accumulated sick pay liability is reflected under long-term liabilities in the Statement of Net Assets. The amount is \$67,392 as of June 30, 2008.

9. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District Library.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Risk Management

The Loutit District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical benefits provided to employees. The District Library has purchased commercial insurance for medical benefits claims and for claims relating to general liability, excess liability, physical damage (equipment, buildings and contents) and worker compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

12. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledged contributions attributable to the building expansion and renovation project are considered to be donor restricted. All non-cash donations are recorded at their estimated fair market value as of the date of the contribution.

13. Cash Equivalents

The District Library considers all short-term investments with an original maturity of three months or less to be cash equivalents.

NOTE B - DEPOSITS AND INVESTMENTS

The District Library's deposits and investments at June 30, 2008 are reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>				
	General	Capital	Construction	Debt	Total Primary
	Fund	Projects	Fund	Service	Government
Cash and					
Cash Equivalents	\$ 865,751	\$ 88,458	\$5,676,833	\$ 96,802	\$ 6,727,844
Investments	-	-	3,487,151	-	3,487,151
	<u>\$ 865,751</u>	<u>\$ 88,458</u>	<u>\$9,163,984</u>	<u>\$ 96,802</u>	<u>\$10,214,995</u>

At June 30, 2008 the carrying amount of the District Library's deposits was \$6,727,844. The bank balance of the District Library's deposits was \$6,717,146. Of the bank balance, \$595,266 was covered by federal depository insurance.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B - DEPOSITS AND INVESTMENTS-CONTINUED

The GASB Statement No. 3 risk disclosures for the District Library's investments are as follows:

	<u>1</u>	Category <u>2</u>	<u>3</u>	Cost Basis	Market Value
District Library Investments	\$3,487,151	\$ -	\$ -	\$3,496,803	\$3,487,151

District Library investments are categorized to give an indication of the level of risk assumed by the District Library at June 30, 2008.

1. Insured or Registered, or Securities held by the District Library or the District Library's agent in the District Library's name.
2. Uninsured and Unregistered with Securities held by the Dealer's Trust Department or its agent in the District Library's name.
3. Uninsured and Unregistered, with Securities held by the Dealer, or the Dealer's Trust Department or Agent but not in the District Library's name.

Investments are recorded at fair market value in the Governmental Funds Balance Sheet/Statement of Net Assets.

Custodial Credit Risk - Deposits - Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$6,717,146 of which \$595,266 was insured by depository insurance.

Investment Interest Rate Risk - The District Library's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate changes. The District Library's deposits and investments are substantially committed to the ongoing construction project expected to be completed within the next year.

Investment Credit Risk - The District has an Investment Policy (as stated in Note A7) which limits its investment choices to select low-risk investments. The District library is invested in money market funds, municipal bonds, asset backed securities of various United States agencies and commercial paper.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE C - CAPITAL ASSETS

Capital asset activity of the District Library for the year ended June 30, 2008 was as follows:

	Balance July 1 <u>2007</u>	Addi- tions	Dele- tions	Balance June 30 <u>2008</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$2,201,577	\$ -	\$ -	\$2,201,577
Building (in progress)	<u>174,279</u>	<u>1,871,917</u>	<u>70,987</u>	<u>1,975,209</u>
	2,375,856	1,871,917	70,987	4,176,786
Capital Assets Being Depreciated				
Building	1,202,495	-	902,495	300,000
Building improvements	103,148	-	100,360	2,788
Collections	1,904,495	124,982	127,808	1,901,669
Equipment	191,621	8,002	14,519	185,104
Furniture and Fixtures	<u>140,057</u>	<u>-</u>	<u>-</u>	<u>140,057</u>
Subtotal	<u>3,541,816</u>	<u>132,984</u>	<u>1,145,182</u>	<u>2,529,618</u>
Less Accumulated Depreciation for				
Building	44,091	18,033	45,125	16,999
Building improvements	25,842	3,424	28,569	697
Collections	1,402,950	134,980	127,808	1,410,122
Equipment	120,265	20,353	9,430	131,188
Furniture and Fixtures	<u>139,120</u>	<u>251</u>	<u>-</u>	<u>139,371</u>
Subtotal	<u>1,732,268</u>	<u>177,041</u>	<u>210,932</u>	<u>1,698,377</u>
Net Capital Assets Being Depreciated	<u>1,809,548</u>	<u>(44,057)</u>	<u>(934,250)</u>	<u>831,241</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$4,185,404</u>	<u>\$1,827,860</u>	<u>\$1,005,237</u>	<u>\$5,008,027</u>

NOTE D - PENSION PLANS

The District Library participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible employees of the District Library. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D - PENSION PLANS-CONTINUED

Employer contributions are not required until the funded ratio is at a level below 110%. As of December 31, 2007, the funded ratio for the District Library was at 85.1%. Employer contributions at 11.19% and 11.11% of current monthly payroll are scheduled to commence in July, 2008 and 2009, respectively, in order to bring the funded ratio levels up to the mandated ratio. These amounts were obtained from the actuarial reports provided by MERS dated December 31, 2006 and 2007.

For the year ended June 30, 2008, the District Library was required to make employer contributions at 11.19% of monthly payrolls to MERS totalling \$63,606. The required contribution was determined by actuarial valuation at December 31, 2006, using the entry age normal cost method. The actuarial assumptions include (a) 8% investment rate of return (net of administrative expenses) (b) merit and longevity salary increases ranging from 0% to 8.4% per year and 4.5% per year cost-of-living adjustments. The actuarial value of MERS assets is determined using techniques that smooth the effects of short term volatility in the market value of investments over a five-year period. The District Library's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 30 year period.

Three Year Trend Information as of December 31 (date of the actuarial valuation report) follows:

	2005	2006	2007
Annual Pension Cost (credited through December 31)	\$ 62,542	\$ 61,821	\$ 64,823
Percentage of APC Contributed	100	100	100
Net Pension Obligation	\$ 0	0	0
Actuarial Value of Assets	\$ 689,975	803,033	928,366
Actuarial Accrued Liability (AAL)	\$ 825,948	952,661	1,091,131
Unfunded AAL (UAAL)	\$ 135,973	149,628	162,765
Funded Ratio	83.5	84.3	85.1
Covered Payroll	\$ 467,994	530,772	555,630
UAAL as a Percentage of Covered Payroll	29.1	28.2	29.3

Deferred Compensation Plan

The District Library has an IRC Section 457 deferred compensation pension plan in which all eligible employees may elect to participate. The District Library will match employee contributions up to 2% of gross wages. The amount of employer contributions for the year ended June 30, 2008, was \$8,534.

Loufitt District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE E - DEBT

This General Obligation Note Payable was originally incurred for the purchase of land for the possible construction of a new library building. It is an unsecured installment note from a bank. The full faith and credit of the District Library is pledged for its repayment. It is payable in annual installments in amounts ranging from \$92,612 to \$106,873 at an interest rate of 4.89% per annum.

\$ 398,515

Library Building and Site Bonds - Series 2007A - These are general obligation unlimited tax bonds for which the full faith and credit of the Library is pledged. They are payable from ad valorem taxes. They are payable in annual installments in amounts ranging from \$90,000 to \$255,000 at interest rates ranging from 4.0% to 4.25% per annum.

\$3,425,000

Library Building and Site Bonds - Series 2007B - These are general obligation, limited tax bonds for which the full faith and credit of the Library is pledged. They are payable from the general funds of the Library. They are payable in annual installments in amounts ranging from \$145,000 to \$345,000 at interest rates ranging from 4.125% to 4.25% per annum.

\$4,500,000

The long term debt activity for the year ended June 30, 2008 can be summarized as follows:

Governmental Activities	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
2002 Land Installment Note	4.89%	5-01-12	\$486,809	\$(88,294)	\$ 398,515	\$ 92,612
Series 2007A- Bond Payable	Varies	5-01-27	-	3,425,000	3,425,000	90,000
Series 2007B- Bond Payable	Varies	5-01-27	-	4,500,000	4,500,000	145,000
			<u>\$486,809</u>	<u>\$7,836,706</u>	<u>\$8,323,515</u>	<u>\$327,612</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End	Governmental Activities	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 327,612	\$ 347,159
2010	357,140	333,049
2011	391,890	317,706
2012	421,873	300,909
2013	330,000	282,859
2014-2027	6,495,000	2,229,260
Total	<u>\$8,323,515</u>	<u>\$3,810,942</u>

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE F - INTERFUND OPERATING TRANSFERS

Details of interfund operating transfers at June 30, 2008, are as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
Capital Projects	\$ 400,000	General	\$1,153,099
Debt Service A	112,099		
Debt Service B	141,000		
Construction	500,000		
Construction	<u>2,128,948</u>	Capital Projects	<u>2,128,948</u>
	<u>\$3,282,047</u>		<u>\$3,282,047</u>

NOTE G - DISTRICT LIBRARY AGREEMENT

The District Library entered into an agreement with local participating municipalities on February 24, 1999. Among other things, the Agreement provides for the District Library to pay the City of Grand Haven an amount equal to the Transfer Value of the Assets (as defined in the Agreement) if the District Library relocates, without City consent, its main library outside the City limits within the next 150 years. This obligation would be funded only on the date on which the District Library transfers its operations out of the City. The amount of the Transfer Value, as determined by formula, is subject to adjustment as of the January 1 preceding the date of relocation. The amount of the Transfer Value was determined to be \$6,083,198 as of June 30, 2008.

NOTE H - DESIGNATED FUND AGREEMENT

The District Library entered into an agreement with the Grand Haven Area Community Foundation on September 25, 2001, the purpose of which was to establish an endowment fund to provide funding for the support of the Loutit District Library.

Distributions may be made only from net appreciation, realized and unrealized, at the request of the District Library Advisory Committee, subject to Foundation approval and certain conditions. The Advisory Committee may also request that a portion or all of the investment return be invested in the Fund. The District Library received a distribution of \$153 from the Endowment Fund during the past fiscal year.

The value of this designated fund was \$4,293 as of June 30, 2008.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE H - DESIGNATED FUND AGREEMENT - CONTINUED

The District Library also has a designated fund at the Grand Haven Area Community Foundation, the purpose and use of which is to provide funding for expansion and/or renovation of Loutit District Library. This fund is called the "Loutit District Library Building Fund".

Distributions may be made from Fund income or principal at the request of the Advisory Committee, subject to Foundation approval and certain conditions. The Advisory Committee may also request that a portion or all of the investment return be invested in the Fund. The District Library received a \$29,828 distribution from the Building Fund during the past fiscal year.

The value of this designated fund was \$0 as of June 30, 2008.

NOTE I - CAPITALIZED BOOKS

The District Library generally capitalizes its purchases of Collection materials, with the exception of periodicals, in the Statement of Net Assets. The District Library expended \$164,893 (less \$124,982 capitalized in 2008) and \$162,460 (less \$117,668 capitalized in 2007) for book and magazine purchases for the years ended June 30, 2008 and 2007, respectively.

NOTE J - PLEDGES RECEIVABLE - CAPITAL PROJECTS FUND

Pledges receivable at June 30, 2008 are as follows:

Pledges made - 2006-2007	\$1,421,519	
Pledges made - 2007-2008	<u>55,866</u>	1,477,385
Pledges received - 2006-2007	(62,083)	
Pledges received - 2007-2008	<u>(870,369)</u>	<u>(932,452)</u>
		544,933
Less anticipated shrinkage (5%)		<u>(27,247)</u>
Pledges receivable (net)		<u>\$ 517,686</u>

These pledges receivable are also recorded as deferred revenues in the liabilities section of the Governmental Funds Balance Sheet in accordance with the modified accrual basis of accounting. The deferred revenues are eliminated in the conversion to full accrual basis of accounting on the Statement of Net Assets on page 8.

Loutit District Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE K - BUILDING RENOVATION AND EXPANSION

Construction is underway on a major renovation and expansion of the existing library building at 407 Columbus Avenue in Grand Haven. The construction phase is expected to be completed by early May, 2009 with the opening date in July, 2009. The project is being financed by two (2) separate bond issues, details of which are contained in Note E, donor contributions and existing District Library funds.

REQUIRED SUPPLEMENTAL INFORMATION

Loutit District Library
Budgetary Comparison Schedule-General Fund
Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues:				
Property taxes	1,853,605	1,856,335	1,846,459	(9,876)
State grants	12,200	23,000	23,183	183
Interest and rentals	89,550	55,550	53,007	(2,543)
Contributions	19,200	19,925	17,420	(2,505)
Fines and forfeits	165,533	168,700	167,875	(825)
Other revenue	7,800	15,325	17,235	1,910
TOTAL REVENUES	2,147,888	2,138,835	2,125,179	(13,656)
Expenditures:				
Salaries and wages	730,870	736,030	738,832	(2,802)
Employee benefits	246,581	247,614	241,919	5,695
Books and magazines	191,495	194,000	164,893	29,107
Library supplies	65,510	69,260	75,291	(6,031)
Lakeland Library Cooperative	41,330	42,350	42,347	3
Equipment maintenance	6,150	6,150	4,783	1,367
Buildings and grounds	29,705	15,705	14,351	1,354
Utilities	57,500	72,000	65,720	6,280
Custodial	49,500	49,500	49,486	14
Professional fees	14,985	13,010	11,307	1,703
Insurance	11,855	11,855	11,372	483
Telephone	2,400	2,400	2,293	107
Printing and publishing	12,150	15,000	14,436	564
Tax collection fees	7,425	7,200	7,196	4
Postage	26,550	22,050	18,522	3,528
Capital outlay	22,750	20,750	8,002	12,748
Professional development	9,650	8,650	5,532	3,118
Memberships and dues	5,420	5,420	3,751	1,669
Transfers to other libraries	45,056	45,056	45,119	(63)
Miscellaneous	8,900	8,900	7,679	1,221
TOTAL EXPENDITURES	1,585,782	1,592,900	1,532,831	60,069
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	562,106	545,935	592,348	46,413
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(1,180,850)	(1,153,100)	(1,153,099)	1
Total other financing sources (uses)	(1,180,850)	(1,153,100)	(1,153,099)	1
EXCESS OF EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(618,744)	(607,165)	(560,751)	46,414
Fund balances - July 1	1,320,762	1,320,762	1,320,762	-
Fund balances - June 30	702,018	713,597	760,011	46,414

The accompanying notes are an integral part of this statement.

Loutit District Library
 Budgetary Comparison Schedule-Capital Projects Fund
 Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues:				
Contributions	\$ 900,000	\$ 900,000	\$ 869,625	\$ (30,375)
Interest	39,600	10,000	9,513	(487)
Miscellaneous	<u>-</u>	<u>-</u>	<u>29,828</u>	<u>29,828</u>
TOTAL REVENUES	939,600	910,000	908,966	(1,034)
Expenditures:				
Miscellaneous	<u>-</u>	<u>-</u>	<u>15</u>	<u>(15)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>15</u>	<u>(15)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	939,600	910,000	908,951	(1,049)
Other financing sources (uses)				
Operating transfers in	400,000	400,000	400,000	-
Operating transfers out	<u>(2,200,000)</u>	<u>(2,160,000)</u>	<u>(2,128,948)</u>	<u>31,052</u>
Total other financing sources (uses)	<u>(1,800,000)</u>	<u>(1,760,000)</u>	<u>(1,728,948)</u>	<u>31,052</u>
EXCESS OF EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(860,400)	(850,000)	(819,997)	30,003
Fund balances - July 1	<u>908,884</u>	<u>908,884</u>	<u>908,884</u>	<u>-</u>
Fund balances - June 30	<u>\$ 48,484</u>	<u>\$ 58,884</u>	<u>\$ 88,887</u>	<u>\$30,003</u>

The accompanying notes are an integral part of this statement.

Loutit District Library
 Budgetary Comparison Schedule-Construction Fund
 Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues:				
Bond proceeds	\$7,925,000	\$7,925,000	\$7,925,000	\$ -
Interest	<u>298,965</u>	<u>298,965</u>	<u>365,041</u>	<u>66,076</u>
TOTAL REVENUES	8,223,965	8,223,965	8,290,041	66,076
Expenditures:				
Bond issuance costs	256,705	134,965	137,286	(2,321)
Relocation expenses	162,500	224,000	217,982	6,018
Capital outlay	<u>3,115,700</u>	<u>2,765,000</u>	<u>1,871,917</u>	<u>893,083</u>
TOTAL EXPENDITURES	<u>3,534,905</u>	<u>3,123,965</u>	<u>2,227,185</u>	<u>896,780</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,689,060	5,100,000	6,062,856	962,856
Other financing sources (uses)				
Operating transfers in	<u>2,700,000</u>	<u>2,660,000</u>	<u>2,628,948</u>	<u>(31,052)</u>
Total other financing sources (uses)	<u>2,700,000</u>	<u>2,660,000</u>	<u>2,628,948</u>	<u>(31,052)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	7,389,060	7,760,000	8,691,804	931,804
Fund balances - July 1	<u>1,178</u>	<u>1,178</u>	<u>1,178</u>	<u>-</u>
Fund balances - June 30	<u>\$7,390,238</u>	<u>\$7,761,178</u>	<u>\$8,692,982</u>	<u>\$931,804</u>

The accompanying notes are an integral part of this statement.

Loutit District Library
 Budgetary Comparison Schedule-Debt Service Fund A (Robbins Road)
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues:				
	\$ -	\$ -	\$ -	\$ -
 TOTAL REVENUES	 -	 -	 -	 -
Expenditures:				
Principal on note	88,295	88,295	88,294	1
Interest expense	23,805	23,805	23,805	-
 TOTAL EXPENDITURES	 112,100	 112,100	 112,099	 1
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (112,100)	 (112,100)	 (112,099)	 1
Other financing sources (uses)				
Operating transfers in	112,100	112,100	112,099	(1)
 Total other financing sources (uses)	 112,100	 112,100	 112,099	 (1)
 EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	 -	 -	 -	 -
 Fund balances - July 1	 -	 -	 -	 -
 Fund balances - June 30	 -	 -	 -	 -

The accompanying notes are an integral part of this statement.

Loutit District Library
 Budgetary Comparison Schedule-Debt Service Fund B (Columbus Avenue)
 Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues:				
Property taxes	\$ 128,500	\$189,310	\$ 187,266	\$ (2,044)
Interest	<u>-</u>	<u>15,550</u>	<u>14,939</u>	<u>(611)</u>
TOTAL REVENUES	128,500	204,860	202,205	(2,655)
Expenditures:				
Principal on bonds	-	-	-	-
Interest expense	297,250	246,000	245,753	247
Paying agent fees	<u>-</u>	<u>650</u>	<u>650</u>	<u>-</u>
TOTAL EXPENDITURES	<u>297,250</u>	<u>246,650</u>	<u>246,403</u>	<u>247</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(168,750)	(41,790)	(44,198)	(2,408)
Other financing sources (uses)				
Operating transfers in	<u>168,750</u>	<u>141,000</u>	<u>141,000</u>	<u>-</u>
Total other financing sources (uses)	<u>168,750</u>	<u>141,000</u>	<u>141,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	99,210	96,802	(2,408)
Fund balances - July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - June 30	<u>-</u>	<u>99,210</u>	<u>96,802</u>	<u>(2,408)</u>

The accompanying notes are an integral part of this statement.

CALVIN D. MEEUSEN, C.P.A., PLLC

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October 6, 2008

Members of the Library Board
Loutit District Library
Grand Haven, Michigan

In connection with my examination of the balance sheet/statement of net assets of the Loutit District Library as of June 30, 2008 and the related statements of revenues, expenditures and fund balances/activities for the year then ended, I have reviewed the accounting policies and procedures employed by the District Library and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Loutit District Library for the year ended June 30, 2008, and have issued my report thereon dated October 6, 2008. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Loutit District Library to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Loutit District Library is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the District Library taken as a whole. However, I noted certain matters that I consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the

design or operation of the internal control structure that, in my judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is that an adequate internal control structure does not exist for reliance thereon because of the small size of the entity resulting in a lack of segregation of duties due to the limited number of accounting personnel.

I do not believe that the reportable condition is a material weakness.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

The size of the District Library's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Library Board continue to take an active role in the financial affairs of the District Library to provide oversight and independent review functions.

The District Library currently holds investments in commercial paper. These are legal investments according to State of Michigan Statutes but are not authorized investments in accordance with the District Library's official Investment Policy. I recommend that District Library management monitor their investment portfolio more closely to ensure uniform compliance with District Library policy.

A budget is required by the State Constitution and by the State Statutes and is the only basis for spending. A local unit cannot budget expenditures in excess of anticipated revenues nor can it overspend its adopted budget unless a change in the budget is approved by the Library Board. The budget has been adopted on a total fund basis by the Library Board. During the past fiscal period, the Library Board overspent in some line items and underspent in others. To the extent possible, the Library Board should amend the budget to cover anticipated deficiencies.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same from them in the future. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

A handwritten signature in black ink that reads "Calvin D. Meeusen C.P.A. PLLC". The signature is written in a cursive, flowing style.

Calvin D. Meeusen, C.P.A., PLLC